



101 S. Capitol Boulevard, Suite 1900
Boise, Idaho 83702
main 208.389.9000
fax 208.389.9040
www.stoel.com

November 13, 2014

KRISTA K. MCINTYRE
Direct (208) 387-4239
krista.mcintyre@stoel.com

Julie A. Vergeront
Assistant Regional Counsel
EPA Region 10
1200 Sixth Avenue, Suite 900
Seattle, WA 98101
206-553-1497
vergeront.julie@epa.gov

**Re: Clearwater Paper Corporation: Continuing Discussions Regarding
Lewiston, Idaho Mill**

Dear Julie:

Clearwater appreciated meeting with representatives of EPA and DOJ on November 5, 2014, and EPA's interest in drafting substantive provisions of a Consent Decree to advance toward potential settlement. We also appreciate EPA's commitment to begin internal discussions on penalty, if any, for settlement purposes. Following our meeting, EPA requested additional information on the proposed project offered in settlement of EPA's allegations. While this type of project requires more engineering design work before the project details, schedule, and costs can be finalized (that prerequisite work is estimated to cost \$30,000), Clearwater can provide *preliminary* responses to EPA's questions (*in italics below*):

1. A description of how Clearwater intends to reroute the lines on M&D Digesters #1 and #2 that currently vent gasses from the exhaust chamber into the Kone bins to meet the requirements of 40 CFR 63.443(a)(1), (c) and (d).

The proposed vent line project will divert the existing exhaust collection chamber vent lines on each M&D digester from the current terminus at the base of each Kone bin to the mill's LVHC collection system, as shown on the attached illustration. The proposed project scope includes installing a new cyclone separator (shown in green), and piping the exhaust collection chamber vents to this separator (shown in green). The gas discharge from the cyclone separator will be tied into the existing non-condensable gas (NCG) pipeline from the sawdust digester blow tank, which runs on to the mill's primary and secondary gas condensers, before ultimately going to the mill's NCG incinerator. A

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one inch diameter mill water line will be piped into the lower portion of the new cyclone separator for occasional flushing.

1. A schedule for implementing the project, including interim milestones, expected dates of the plant shutdown during which the re-routing work will be performed, and final compliance date.

As noted above, this type of project requires more costly engineering work before the project details and a schedule can be confirmed. Clearwater will commence work on the prerequisite engineering this month by retaining suitable engineering firms. Based upon initial contacts to those firms, engineering designs can be completed no sooner than mid-February, 2015. If engineering is completed timely, then line tie-ins could be installed during the upcoming March 2015 major outage. This work would be followed by equipment installation later in 2015, and estimated startup at the conclusion of a quarterly minor downtime -- no later than the 4th quarter of 2015. A final compliance date is estimated to be no later than January 1, 2016. This schedule is preliminary, because installation and startup are dependent on several variables, including equipment delivery. Once the final process design, piping and structural components are fully defined, and all engineering drawings completed and approved by mill process engineers and management, then a more definitive schedule can be provided to EPA.

2. A copy of the current engineering design and project cost estimate for the project.

The attached illustration presents the preliminary engineering design. The project cost estimate is \$800,000 for work on both digester systems, based upon preliminary and 'ballpark' estimates from suitable engineering firms. As noted above, this type of project requires more engineering design before the details and costs can be confirmed.

This information reflects Clearwater's commitment to undertake a project that addresses EPA's concerns -- in settlement of the allegations presented previously to Clearwater. This commitment does not reflect an admission of liability, nor agreement with EPA's position that the mill is currently out of compliance. In attempt to advance toward potential settlement, however, Clearwater is committed to undertaking this project, subject to review of and agreement on any additional elements of settlement (such as penalty) that EPA may propose. We look forward to receiving more information from EPA on November 25, 2014.



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If you have any questions, please contact me at 208-387-4239.

Sincerely,

Krista McIntyre

cc: Michael Gadd, Clearwater Paper Corporation
Marv Lewallen, Clearwater Paper Corporation

